

Chapter 1: EXECUTIVE SUMMARY

A. INTRODUCTION

In this Company-Wide Report on the Results of Operations, the Office of Ratepayer Advocates (ORA) presents its analysis and recommendations on requests made in the General Rate Case Application 14-07-006 (GRC A.14-07-006) filed by Golden State Water Company (GSWC) for the Test Year 2016 and Escalation Years 2017 and 2018.

ORA's team of engineers, auditors, and analysts reviewed the filing, performed discovery and inspection of the company's records and facilities, and provides detailed analysis and recommendations in this report and eight others, listed below. Together, the following nine reports form ORA's comprehensive response to GSWC's GRC application. Section B presents key recommendations contained in ORA's reports.

No.	ORA Reports on GSWC Test Year 2016 GRC A.14-07-006
1	Company-Wide Report on the Results of Operations
2	Report on General Office
3	Report on District Operating Expenses
4	Report on Demand-Related Issues, Rate Design & Conservation
5	Report on Labor and Pension & Benefits
6	Report on Balancing and Memorandum Accounts
7	Report on Plant, Region 1
8	Report on Plant, Common Plant Issues & Region 2
9	Report on Plant, Region 3

In this Company-wide report, ORA presents its analysis and recommendations on a number of issues affecting GSWC's nine ratemaking areas. Appendix RO-A in the report includes ORA's recommended Results of Operations for this GRC proceeding. The report is organized as follows:

Chapter	Company-Wide Report in the Results of Operations	ORA Witness
1	Executive Summary	Lisa Bilir & Pat Ma
2	Income Taxes	Michael Conklin
3	Taxes on Other than Income	Michael Conklin
4	Deferred Income Tax	Mukunda Dawadi
5	Construction Work in Progress	Mukunda Dawadi
6	Working Cash	Mukunda Dawadi
7	Depreciation	Justin Menda
8	Rate Base	Justin Menda
9	Customer Service	Ting-pong Yuen
10	Escalation and Attrition Filings	Danilo Sanchez & Lisa Bilir
11	Statements of Qualifications	All ORA Witnesses
Appendix RO-A	Results of Operations Tables	Terence Shia

1 In this Company-Wide Report, ORA presents its analysis and recommendations that are common
2 across GSWC's General Office and nine ratemaking areas (Region 2, Region 3, and the 7
3 Customer Service Areas in Region 1.) They cover areas such as taxes, depreciation and working
4 cash.

5 ORA's recommendations are incorporated in each ratemaking area's revenue requirement
6 calculations, presented in ORA's Results of Operations tables ([Appendix RO-A](#) in this report).
7 [Table 1-A](#) below presents estimated revenue increases (decreases) proposed by GSWC and by
8 ORA for GSWC's nine ratemaking areas.

Table 1-A: Comparison of Revenue Increases (Decreases)

Line	Ratemaking Area	ORA*					
		Test Year 2016 Increase (Decrease)		2017 Increase		2018 Increase	
		\$000	%	\$000	%	\$000	%
1	Arden-Cordova CSA	(2,391)	-18.01%	396	3.67%	211	1.89%
2	Bay Point CSA	(297)	-5.11%	14	0.25%	(3.2)	-0.06%
3	Clearlake CSA	(117)	-5.36%	32	1.54%	22	1.06%
4	Los Osos CSA	(618)	-14.45%	49	1.36%	25	0.69%
5	Ojai CSA	(213)	-3.86%	194	3.65%	179	3.24%
6	Santa Maria CSA	(750)	-6.78%	163	1.58%	102	0.96%
7	Simi Valley CSA	(1,144)	-7.40%	20	0.14%	(69)	-0.47%
8	REGION 2	(15,226)	-11.00%	2,433	1.97%	1,391	1.11%
9	REGION 3	(10,122)	-8.00%	1,175	1.01%	904	0.77%
10	TOTAL COMPANY	(30,877)	-9.6%	4,478	1.53%	2,762	0.93%

* See ORA's Results of Operations Tables in Appendix RO-A of this report.

Line	Ratemaking Area	GSWC**					
		Test Year 2016 Increase (Decrease)		2017 Increase		2018 Increase	
		\$000	%	\$000	%	\$000	%
1	Arden-Cordova CSA	(398)	-3.04%	932	7.39%	852	6.33%
2	Bay Point CSA	20	0.35%	116	1.79%	117	1.93%
3	Clearlake CSA	63	2.89%	74	3.27%	82	3.51%
4	Los Osos CSA	193	4.52%	203	4.57%	225	4.87%
5	Ojai CSA	257	4.73%	402	7.04%	417	6.78%
6	Santa Maria CSA	402	3.64%	471	4.09%	475	3.94%
7	Simi Valley CSA	(376)	-2.50%	156	1.05%	114	0.75%
8	REGION 2	(2,634)	-1.90%	4,871	3.58%	4,533	3.22%
9	REGION 3	858	0.68%	3,056	2.41%	3,491	2.69%
10	TOTAL COMPANY	(1,615)	-0.50%	10,281	3.21%	10,303	3.12%

** From p. 2 of A.14-07-006, Application of GSWC for an Order Authorizing a Change in Rates in its Region 1, Region 2 and Region 3 Customer Service Areas, filed on July 15, 2014.

Line	Ratemaking Area	GSWC > ORA					
		Test Year 2016 Increase (Decrease)		2017 Increase		2018 Increase	
		\$000	%	\$000	%	\$000	%
1	Arden-Cordova CSA	1,993	14.97%	536	3.72%	641	4.44%
2	Bay Point CSA	317	5.46%	102	1.54%	120	1.99%
3	Clearlake CSA	180	8.25%	42	1.73%	59	2.45%
4	Los Osos CSA	810	18.97%	153	3.21%	200	4.18%
5	Ojai CSA	469	8.59%	208	3.39%	237	3.54%
6	Santa Maria CSA	1,152	10.42%	308	2.51%	373	2.98%
7	Simi Valley CSA	767	4.90%	136	0.91%	183	1.22%
8	REGION 2	12,592	9.10%	2,438	1.61%	3,141	2.11%
9	REGION 3	10,980	8.68%	1,880	1.40%	2,587	1.92%
10	TOTAL COMPANY	29,262	9.08%	5,803	1.68%	7,541	2.19%

1 **B. KEY RECOMMENDATIONS**

2 **1. Customer and Sales Forecasts**

3 In GSWC's previous GRC D.13-05-011, the Commission examined GSWC's Water Revenue
4 Adjustment Mechanism and Modified Cost Balancing Account (WRAM/MCBA) balances and
5 found that large balances result from inaccurate sales forecasts that over-estimate consumption.
6 In this GRC, ORA considered many different regression model variations, examined the possible
7 addition of an unemployment variable as an indicator of economic conditions, and considered the
8 2013 recorded sales, as well as the two-, three-, and five-year average sales.

9 ORA found that no single sales forecasting model or method was able to consistently predict
10 sales accurately. ORA agrees with many of GSWC's sales forecasts and provided modifications
11 where appropriate. (*ORA Report on Demand-Related Issues, Rate Design and Conservation,*
12 *Chapter 2 – Customer and Sales Forecasts*)

13 **2. Rate Design**

14 Under ORA's rate design proposal, non-residential and residential customer classes pay the same
15 amount on average for each unit of water consumed and revenue requirements are allocated
16 across customer classes based on the volume of water sales in each class.

17 For residential customers, ORA recommends increasing the price signal for water conservation
18 through rate design by increasing the tier differential between tier 2 and 3 from 15% to 20% in
19 Bay Point and Los Osos, adopting GSWC's proposed fourth tier for the top 5% of sales in Simi
20 Valley, Santa Maria, Region 2 and Region 3.

21 Also for Simi Valley, Santa Maria, Region 2 and Region 3, ORA recommends increasing
22 affordability for residential customers in the first tier by setting the tier differential at 10%,
23 retaining the 15% differential between tier 2 and 3 and encouraging conservation in the new 4th
24 tier by adding a 20% differential between tier 3 and 4.

25 ORA accepts GSWC's tier width changes for residential customers in Region 3.

1 *(ORA Report on Demand-Related Issues, Rate Design and Conservation, Chapter 4 – Rate*
2 *Design and Special Request 8)*

3 **3. Discount to Low-Income Customers**

4 GSWC has a low income rate assistance program called the *California Alternative Rates for*
5 *Water (CARW)* program that provides qualifying customers with a 15% discount off the average
6 bill. ORA recommends increasing the discount to 20% off an average bill for qualifying
7 customers. Additionally, the average bill should be calculated for each ratemaking area rather
8 than for each Region to reflect local usage information. *(ORA Report on Demand-Related*
9 *Issues, Rate Design and Conservation, Chapter 5 – Affordability and CARW Program)*

10 **4. Conservation**

11 ORA supports maintaining ongoing conservation efforts to achieve the State's water
12 conservation goals. However, these goals can be achieved at ORA's lower cost estimates. ORA
13 recommends a budget of \$746,604 for conservation program expenses in Test Year 2016, which
14 is \$310,811 lower than GSWC's \$1,070,748 request (this budget does not include conservation
15 staff costs).

16 ORA recommends GSWC launch a pilot program for social norm messaging. Social norm
17 messaging involves providing households and businesses with information on their current water
18 usage and comparing it to their historical consumption, average consumption of similar
19 households and consumption of the most efficient similar household. This pilot should have a
20 \$20,000 budget for a six-month program and GSWC should report on the pilot's results in
21 GSWC's next GRC.

22 The difference between authorized and actual conservation expenses should continue to be
23 tracked in a one-way balancing account for each ratemaking area separately with any unspent
24 funds refunded to ratepayers at the end of the rate case cycle. For transparency and ease of
25 auditing by ORA and Commission staff, GSWC should track conservation expenses in its own
26 sub-account under account 781 and provide enhanced annual reporting.

1 *(ORA Report on Demand-Related Issues, Rate Design and Conservation, Chapter 10–*
2 *Conservation)*

3 **5. Labor and Pension & Benefits (P&B)**

4 In its Test Year 2016 labor and pension & benefits estimates, ORA recommends removal of the
5 1% merit increase, imputation of expected savings from the newly created Director of
6 Procurement position, reduction of salaries and bonuses of GSWC's executives and top
7 managers, and lower medical premium cost estimates. ORA also recommends no ratepayer
8 funding for costs associated with Postretirement Medical Benefit Plan (VEBA) and
9 Supplemental Executive Retirement Plant (SERP). Finally, ORA recommends that the
10 Commission reject GSWC's Special Request #2 to establish a new balancing account for group
11 medical insurance costs. *(ORA Report on Labor and Pension & Benefits)*

12 **6. District Operating Expenses (O&M and A&G expenses)**

13 In developing district operating expense estimates from recorded data, ORA removes *lobbying*
14 *and charitable contribution-type* expenses, improper *Purchased Card (PCARD) charges*, and
15 one-time/discontinued expenditures. The Commission should require detailed *PCARD charge*
16 *reporting* and put GSWC on notice that it must remove lobbying and charitable contribution-type
17 expenses from historical data used in its Test Year expense forecasts. *(ORA Report on District*
18 *Operating Expenses, Chapters 1, 5, 6 and 7)*

19 In escalating recorded expense data to develop Test Year forecasted expenses, ORA removes
20 *customer growth* as it is not justified or expressly allowed in the Commission's Rate Case Plan
21 for Class A water utilities. ORA's interpretation is affirmed in D.14-08-006. *(ORA Report on*
22 *District Operating Expenses, Chapter 1)*

23 ORA recommends that *flow violation payments* to Metropolitan Water District (in Regions 2 and
24 3) be excluded from Purchased Water expenses subject to balancing account treatment. This is
25 an appropriate ratemaking treatment because it is an expense that is entirely under GSWC's
26 operational control. *(ORA Report on District Operating Expenses, Chapters 3 and 4)*

1 **7. General Office Expenses & Plant Investment**

2 ORA Report on the General Office examines expenses and capital investments of GSWC's
3 general office operations, and includes an extensive discussion on the allocation of general office
4 expenses to GSWC's unregulated affiliate, ASUS. Most notably, ORA recommends using a
5 *three-factor methodology* to allocate 21.04% of corporate-level general office expenses to
6 ASUS, instead of using GSWC's methodology that allocates just 13.58% to ASUS by attempting
7 to equate the number of ASUS contracts with the number of GSWC customers.

8 ORA makes a number of additional substantial recommendations, that include among other
9 things: rejection of GSWC's request for \$1 million of ratepayer funding to help defeat eminent
10 domain proceedings brought against it, rejection of its \$6.03 million GIS project request, and
11 denying GSWC recovery of the \$375,000 accumulated in the Well Study Balancing Account.

12 **8. Taxes**

13 In addition to adjustments to tax estimates that correspond to other results of operations estimates
14 (such as revenues, expenses and plant), ORA recommends: calculating local franchise taxes
15 according to *revenues net of uncollectibles*, removing the *Deferred Revenue Amortization*
16 component from GSWC's income tax expense, updating Accumulated Deferred Federal Income
17 Tax to reflect the *extension of the Bonus Depreciation through 2014*, and accepting GSWC's
18 update to reflect implementation of *new IRS Repairs Regulations*. (*ORA Company-Wide Report*
19 *on Results of Operations, Chapters 2 and 4*)

20 **9. Capital Budgets**

21 ORA presents its analysis and recommendations in three separate plant reports: (1) Region 1, (2)
22 Common Plant Issues and Region 2 and (3) Region 3. As presented in ORA's three plant
23 reports, ORA's 2015-2017 capital budget estimates are less than 50% of GSWC's request, for
24 Regions 1 through 3 combined. The differences are summarized [Table 1-B](#) below:

Table 1-B: Summary of Capital Budgets, by Region

All Regions Summary	2015		2016		2017	
	GSWC	ORA	GSWC	ORA	GSWC	ORA
Region 1	\$ 12,346,550	\$ 6,363,800	\$ 16,956,510	\$ 7,277,100	\$ 17,904,340	\$ 6,121,900
Region 2	\$ 48,057,800	\$ 24,037,000	\$ 41,665,400	\$ 19,783,300	\$ 33,924,100	\$ 17,482,100
Region 3	\$ 20,733,400	\$ 11,370,500	\$ 24,519,800	\$ 13,378,500	\$ 31,973,200	\$ 15,009,100
Total Cap. Budget	\$ 81,137,750	\$ 41,771,300	\$ 83,141,710	\$ 40,438,900	\$ 83,801,640	\$ 38,613,100
3-YEAR TOTAL:					\$248,081,100	\$120,823,300
3-YEAR TOTAL ADJUSTMENT, GSWC > ORA:					\$127,257,800	
3-YEAR DIFFERENCE, (GSWC-ORA)/(GSWC):					51%	

Additionally, ORA makes adjustments to recorded 2013 and estimated 2014 and 2015 plant additions from projects presented by GSWC in its workpapers as “CWIP” or construction work in progress. As ORA discovered, some projects have not started (and therefore cannot be considered “CWIP”), are no longer needed, have been cancelled by GSWC, or have changed in scope and schedule significantly. ORA also adjusted out plant dollars that were imprudently incurred such as \$3.6 million associated with the Truro Well #4 abandonment project (Region 2). These adjustments to “CWIP” projects are presented in the plant section titled “Additional Adjustments to Requested Capital Expenditures” in each respective ratemaking area.

10. Common Plant Issues

ORA makes the following recommendations based on its examination of capital planning and budgeting issues that affect plant estimates in all ratemaking areas. These recommendations serve as a basis for many of ORA’s specific adjustments to GSWC’s proposed projects and capital budgets for 2015 through 2017. (*Report on Plant, Common Plant Issues and Region 2 – various chapters*)

a. Contingency cost (as % of project cost and blanket budget)

The Commission should allow no more than 5% in contingency rate (add) for specific (non-routine) capital projects, and reject GSWC’s requested 10%. (*Chapter 2*)

GSWC should not be allowed to include a 10% contingency budget in its blanket (routine) capital budgets. (*Chapter 2*)

1 ***b. Design cost (as % of construction budget)***

2 For pipeline projects, the Commission should allow a design cost (addend) of no more than 7% of
3 estimated construction budget, instead of GSWC's requested 10% to 12%. *(Chapter 2)*

4 ***c. Vehicle Replacements***

5 The Commission should require GSWC to follow the vehicle replacement criteria and schedule
6 of the California Department of General Services, and adopt ORA's recommended 2015-2017
7 budget of \$1.14 million instead of GSWC's request of \$2.9 million. *(Chapter 3)*

8 ***d. Urban Water Management Plans (UWMPs)***

9 ORA recommends that the Commission authorize GSWC's request for UWMP preparation
10 projects, but shift the requested funds from 2015 to 2016 to match the expected completion date
11 of these plans. *(Chapter 4)*

12 ***e. Chemical Disinfection Building Replacements***

13 GSWC should not be allowed funds to replace existing buildings which are still in good
14 condition. In cases where replacement is justified, GSWC should not be allowed funds to
15 construct expensive concrete masonry units, and should instead construct less expensive
16 alternatives that can still meet current regulations. *(Chapter 4)*

17 ***f. Pressure Requirements***

18 ORA recommends that the Commission authorize an exemption from the 40-pounds-per-square-
19 inch minimum pressure requirement contained in GO 103-A while ORA is considering a Motion
20 to Amend General Order 103-A (GO 103-A) to ensure consistency with the California
21 Waterworks Standards (California Code of Regulations, Title 22, Chapter 16). Doing so will
22 avoid undue rate burdens on GSWC's customers and does not adversely impact public health or
23 service quality. *(Chapter 5)*

1 *g. Pipeline Replacement*

2 ORA reviewed GSWC's pipeline replacement program and found many inconsistencies in its
3 analysis and as well as the application of its prioritization process. ORA recommends that
4 GSWC moves from its emphasis on replacement to a more comprehensive and cost-based
5 program that would include such tools as pressure management and active leakage control, and
6 utilize results from the Water Loss Audits to align its resources toward efficient water loss
7 control program. ORA's recommendations on GSWC's pipeline replacement projects are based
8 on a case-by-case analysis to ensure prudent investment in GSWC's pipeline infrastructure.
9 *(Chapter 6)*

10 **11. Water Loss**

11 ORA recommends that the Commission adopt ORA's lower estimated Water Loss rates in Ojai
12 and in Region 2 to reflect a decreasing trend in recent years. *(Chapter 7)*

13 **12. Water Quality**

14 ORA recommends that the Commission open a second phase of this proceeding to address
15 customers' concerns regarding the quality of water in the City of Gardena to ensure that the long -
16 standing "black water" problem is properly and timely resolved, and to identify and address
17 operational deficiencies, if any. *(Chapter 8)*

18 **13. Record-Keeping Issues and the Need to Ensure GSWC Provides Accurate**
19 **Information**

20 The Commission should put GSWC on notice for providing inaccurate information during this
21 GRC. GSWC has, on multiple occasions, provided inaccurate information during this GRC
22 proceeding. Each single instance in isolation may not rise to the level where Commission action,
23 including appropriate penalties or sanctions, is warranted. However, looking at the full picture it
24 is clear that GSWC needs to keep more accurate records, and provide more complete and precise
25 information to the Commission during general rate cases.

26 The following several examples illustrate this point:

- 1 • Region 2, GSWC claimed that it does not know the source of “black water” affecting
2 customers in the area but its October 1, 2014 Measures to Improve Customer Service
3 report indicates otherwise. Also, GSWC claimed that only one customer was affected by
4 the “black water” in Gardena. Records on customer complaints indicate that there have
5 been more than one customer complaints regarding “black water.” (*ORA Report on Plant,*
6 *Region 2, Chapter 8, Section C.4*)
- 7 • In Region 2, GSWC was unable or refused to provide length and leak history of pipeline
8 segments that were part of larger bundled project proposal. (*ORA Report on Plant,*
9 *Common Plant Issues and Region 2, Chapter 9, Section D.1*)
- 10 • Region 3 pipeline leak and material information was inaccurate. For example, the Apple
11 Valley North project to replace pipelines on Dexter, Sycamore and Central lanes the
12 workpaper reported 44 leaks in the past five years, while data request responses only
13 noted 2 leaks from 2009 – 2013. Additionally, workpapers reported the existing
14 pipelines are steel while the system wall map indicates Transite pipes. (*ORA Report on*
15 *Plant, Region 3, Chapter 2, Section D.5*)
- 16 • Similarly, in Region 1, GSWC stated that it needs to replace a pipeline between Pacifica
17 Avenue and Port Chicago Hwy to address leaks; but when asked for support, GSWC
18 responded that the proposed segment of pipe selected for replacement had zero leaks in
19 the past five years. (*ORA Report on Plant, Region 1, Chapter 1, Section F.4*)
- 20 • Region 1, GSWC cites hydraulic deficiency, age, and condition of pipeline as
21 justification for replacing the pipeline on Arrowhead Drive. However, the pipeline has
22 not had any leaks 2009-2013 and the GSWC Pipeline Prioritization Results in the
23 Pipeline Management Program indicates no hydraulic deficiency. (*ORA Report on Plant,*
24 *Region 1, Chapter 2, Section E.12*)
- 25 • Region 2, GSWC provided misleading information regarding pump and well capacities at
26 the Bissell Plant in the Bell-Bell Gardens system in an attempt to justify its booster pump
27 replacement request. (*ORA Report on Plant, Region 2, Chapter 9, Section G.3*)
- 28 • Region 3, GSWC provided inaccurate information regarding the status of land purchase.
29 GSWC’s capital testimony stated the land for the proposed Mojave Tank in Morongo Del
30 Sur system was “acquired.” When ORA visited the site, ORA learned from GSWC’s

1 local staff that the company has not acquired the land as claimed in its testimony. (*ORA*
2 *Report on Plant, Region 3, Chapter 2, Section G.2*)

- 3 • In Region 3, GSWC requests a Variable Frequency Drive for the Valley View Well #2
4 citing customer complaints of colored water problems as the basis for the request.
5 However, the Division of Drinking Water's 2014 engineering report indicates that
6 appropriate actions were taken to mitigate the problems. (*ORA Report on Plant, Region 3,*
7 *Chapter 1, Section D.6*)

8 **14. Rate Base**

9 The Commission should adopt ORA's recommended adjustment to GSWC's estimated
10 Construction Working in Progress balances and removal of the WRAM balance component from
11 the calculation of working cash. (*Chapters 5 and 6 of this report*)

12 **15. Escalation and Attrition Filings**

13 For GSWC's 2017 and 2018 escalation and attrition filings, the Commission should require
14 GSWC to file separate advice letters for consolidated Regions 2 and 3, and for each CSA under
15 Region 1, proposing new revenue requirements and corresponding revised tariff schedules.
16 These filings should be required regardless of whether the filing results in an increase or
17 decrease in tariff rates.

18 **16. GSWC's Special Requests**

19 GSWC submitted a total of 13 Special Requests in this GRC. The next three sections address
20 Special Requests #5, #10, and #11. ORA's Report on Balancing and Memorandum Accounts
21 addresses Special Request #1 regarding existing balancing and memorandum accounts. Other
22 Special Requests are addressed in reports covering respective related subject areas (e.g., Report
23 on Labor and Pension & Benefits addresses Special Request #2 to establish a new Balancing
24 Account for Group Medical Insurance Costs. **Table 1-C** below summarizes ORA's
25 recommendations on GSWC's Special Requests.

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Table 1-C: Summary of ORA's Recommendations on GSWC's Special Requests

Special Request	GSWC's Special Request	ORA's Recommendation	ORA Report
1	Amortization and Continuation of Balancing and Memorandum Accounts	See Table 1-D below	Report on Balancing and Memorandum Accounts
2	Balancing Account for Group Medical Insurance Costs	Disallow	Report on Labor and Pension & Benefits
3	Chemicals included in MCBA	Disallow	Report on Demand-Related Issues, Rate Design & Conservation
4	Water Litigation Memorandum Account Surcharge	Allow with modifications	Report on Demand-Related Issues, Rate Design & Conservation
5	Update for Advice Letter Projects	Allow	Company-Wide Report on the Results of Operations
6	Sales Reconciliation Mechanism	Disallow	Report on Demand-Related Issues, Rate Design & Conservation
7	Special Facilities Fee Pilot Program in Santa Maria CSA and Connection Fees in Bay Point CSA and Clearlake CSA	Allow with modifications	Report on Demand-Related Issues, Rate Design & Conservation
8	Rate Design in Santa Maria, Simi Valley, Region 2 & Region 3	Allow with modifications	Report on Demand-Related Issues, Rate Design & Conservation
9	Recycled Water Rate in San Gabriel CSA	Allow	Report on Demand-Related Issues, Rate Design & Conservation
10	Incorporation of the Settlement Agreement Between Golden State Water Company and the Office of Ratepayer Advocates in the Rehearing of Decision 10-11-035	Allow	Company-Wide Report on the Results of Operations
11	Incorporate Any Adopted Commission Decisions Relating to GSWC and Rural Water Company (C 311)'s Joint Application 13-10-011 in the Final Decision in this GRC	Allow	Company-Wide Report on the Results of Operations
12	Other Fees	Allow	Report on Demand-Related Issues, Rate Design & Conservation
13	Non-Residential Meter Charges	Allow	Report on Demand-Related Issues, Rate Design & Conservation
14	Memorandum Account to Track Costs Associated with Implementing Fluoridation in Arden Cordova	Allow	Report on District Operating Expenses

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Table 1-D: Summary of ORA's Recommendations on GSWC's Balancing and Memorandum Accounts

Item #	ACCOUNT NAME	RECOMMENDATION	GSWC 6/30/2014 BALANCE	PERCENT OF TOTAL	ORA 6/30/2014 RECOMMENDED BALANCE	DIFFERENCE
1	COSMA	AMORTIZE AND CONTINUE	\$ (382,719)	-0.91%	\$ (382,719)	\$ -
2	ARRABA	CONTINUE AMORTIZATION AND CONTINUE	\$ 60,866	0.15%	\$ 60,866	\$ -
3	BPMCRMA	AMORTIZE AND CLOSE	\$ 12,164	0.03%	\$ 8,396	\$ 3,768
4	TPRCMA	TPRCMA: CORRECT, THE BALANCE TO \$0 AS OF JULY 2014 AND CONTINUE THE ACCOUNT THROUGH YEAR-END 2018. TPRCMA : CONTINUE THE ACCOUNT THROUGH 1/1/2016, CREDIT THE ACCOUNT THE \$900,000 COLLECTED IN RATES AND REFUND THE BALANCE WITHIN 30 DAYS OF 1/1/2016.	\$ 418,497	1.00%	\$ -	\$ 418,497
5	OSMA	AMORTIZE THE BALANCE LESS ANY PREVIOUSLY AUTHORIZED AMORTIZATIONS AND CONTINUE THE ACCOUNT	\$ 165,483	0.40%	\$ 165,483	\$ -
6	OCAMA	AMORTIZE AND CONTINUE THROUGH YEAR-END 2018	\$ 54,278	0.13%	\$ 54,278	\$ -
7	COBMA	AMORTIZE AND CLOSE	\$ 616,433	1.47%	\$ (54,874)	\$ 671,307
8	SMMA	NO CHANGE TO ONGOING SURCHARGE AND ADDRESS RESIDUAL BALANCES THROUGH THE ADVICE LETTER PROCESS.	\$ 892,827	2.13%	\$ 892,827	\$ -
9	LOISMA	AMORTIZE THE BALANCE LESS ANY PREVIOUSLY AUTHORIZED AMORTIZATIONS AND CONTINUE THE ACCOUNT	\$ 204,481	0.49%	\$ 204,481	\$ -
10	SMRPMMA	AMORTIZE AND CONTINUE	\$ 49,140	0.12%	\$ 49,140	\$ -
11	LOAMA	AMORTIZE AND CONTINUE	\$ 275,917	0.66%	\$ 275,917	\$ -
12	GOMMA	AMORTIZE AND CLOSE	\$ 20,310	0.05%	\$ 20,310	\$ -
13	BYVAMA	AMORTIZE AND CONTINUE	\$ 66,939	0.16%	\$ 66,939	\$ -
14	WSBA	DISALLOW	\$ 375,586	0.90%	\$ -	\$ 375,586
15	PBBA	AMORTIZE	\$ 3,578,177	8.55%	\$ 3,578,177	\$ -
16	OCCSSMA	AMORTIZE AND CONTINUE	\$ 72,031	0.17%	\$ 72,031	\$ -
17	OTSCMA	ADDRESS ANY RESIDUAL BALANCE THROUGH THE ADVICE LETTER PROCESS	\$ 236,171	0.56%	\$ 236,171	\$ -
18	WCMA	DENY INTEREST	\$ 674,595	1.61%	\$ 674,595	\$ -
19	BPVQMA	AMORTIZE AND CLOSE	\$ 5,640	0.01%	\$ 5,640	\$ -
20	CARWBA	AMORTIZE LESS ANY PREVIOUS AMORTIZATIONS AND CONTINUE	\$ 9,481,392	22.66%	\$ 9,479,801	\$ 1,592
21	SMWRBA	CONTINUE	\$ 1,184,011	2.83%	\$ 1,184,011	\$ -
22	SMWRMA	CONTINUE	\$ 1,770,219	4.23%	\$ 1,770,219	\$ -
23	RBBA	CONTINUE	\$ 3,435,434	8.21%	\$ 3,435,434	\$ -
24	CEOWBA	FILE TIER 3 ADVICE LETTER TO REFUND ANY BALANCES	\$ 121,783	0.29%	\$ 121,783	\$ -
25	COTBA	AMORTIZE AND CLOSE	\$ 88,220	0.21%	\$ 88,220	\$ -
26	AEROJET	CONTINUE AMORTIZATION, INCLUDE IN PRELIMINARY STATEMENT	\$ 14,302,164	34.17%	\$ 14,302,164	\$ -
27	CEMA-BWA	AMORTIZE AND CONTINUE	\$ 14,257	0.03%	\$ 14,257	\$ -
28	CPMA	AMORTIZE AND CLOSE	\$ 3,480	0.01%	\$ 3,480	\$ -
29	RMRMA	AMORTIZE, CLOSE AND INCLUDE IN PRELIMINARY STATEMENT	\$ 2,438,111	5.83%	\$ 2,438,111	\$ -
30	RMRMA	AMORTIZE AND CLOSE	\$ 1,547,073	3.70%	\$ 1,547,073	\$ -
31	RATE BASE	AMORTIZE, CLOSE AND INCLUDE IN PRELIMINARY STATEMENT	\$ 99,817	0.24%	\$ 99,817	\$ -
32	FOLSOM	REFUND, CLOSE AND INCLUDE IN PRELIMINARY STATEMENT	\$ (31,843)	-0.08%	\$ (34,706)	\$ 2,863
	TOTAL:		\$ 41,850,932	100.00%	\$ 40,377,319	\$ 1,473,613

1 **17. Special Request #5**

2 ORA agrees with GSWC's proposal to incorporate approved advice letters into rates adopted for
3 the first test year in this GRC proceeding. Incorporating the rate effects of the approved advice
4 letters into the rates adopted in this proceeding will reduce the number of potential rate increases
5 associated with the advice letters. Specific language identifying the dollar impacts of any
6 adopted advice letters included in the rates adopted in the GRC decision should be added to the
7 extent possible to the decision to clearly distinguish between GRC related rate increases and
8 increases resulting from the advice letter projects adopted in the prior GRC.

9 **18. Special Request #10**

10 In Special Request #10, GSWC requests to incorporate pertinent portions of the Settlement
11 Agreement between GSWC and ORA in the Rehearing of Decision 10-11-035 (Settlement
12 Agreement) including:

13 . . . 1) removal of \$336,350.24 related to the La Serena project from its recorded Rate
14 Base; 2) requesting a transition from deferring to forecasting rate case expense; 3)
15 removal of 75% of all legal and consulting costs incurred in the rehearing proceeding
16 from its historical expenses before to forecasting future expenses and; 4) request for
17 Special Facilities Fees in its Santa Maria Service Area and Connection Fees in its Bay
18 Point and Clearlake CSA . . .¹

19 GSWC also requests that, if a final decision is issued on the Rehearing of Decision 10-11-035
20 prior to a final decision being issued in this proceeding, the findings in the final decision related
21 to the Rehearing of Decision 10-11-035 be incorporated into the final decision in this
22 proceeding.²

¹ A.14-06-007, pp. 29-30.

² Ibid.

1 Since GSWC filed this GRC application, the Commission issued Decision 14-09-009 (corrected
2 by Decision 14-09-020) adopting the March 6, 2013 Settlement Agreement (see Ordering
3 Paragraph 1). ORA agrees with incorporating this decision and addresses each of GSWC's
4 requests below:

5 1) GSWC filed Advice Letter 1574-W to implement a rate base reduction offset in the amount
6 of \$336,350.24 for its Santa Maria District. Advice Letter 1574-W was approved by the
7 CPUC's Division of Water and Audits. This is consistent with Ordering Paragraph 2 of
8 D.14-09-020, which states:

9 2. Within five days of the date of this decision, Golden State Water Company must file a
10 Tier 2 Advice Letter requesting authority to implement a rate base reduction offset in
11 the amount of \$336,350.24 for its Santa Maria District. The \$336,350.24 is the
12 difference between the existing amount of \$1,979,708 in adopted rate base and the
13 settlement amount of \$1,844,856, adjusted for contributions received and accumulated
14 depreciation.

15 2) ORA addresses the transition to recovery of regulatory expenses on a forecasted basis in
16 ORA's Report on General Office. This is consistent with Ordering Paragraph 5 of D.14-09-
17 020, which states:

18 5. Golden State Water Company must transition to recovery of regulatory expenses on a
19 forecasted basis in all future general rate cases.

20 3) GSWC removed 75% of all legal and consulting costs incurred in the rehearing proceeding
21 from GSWC's historical expenses before forecasting future expenses pursuant to the
22 Settlement Agreement.

23 4) ORA addresses GSWC's request for Special Facilities Fees in its Santa Maria Service Area
24 and Connection Fees in its Bay Point and Clearlake CSA in response to GSWC's Special
25 Request 7 in ORA's Report on Demand-Related Issues, Rate Design & Conservation.

26 Regarding the incorporation of the findings of the final decision in the Rehearing of D.10-11-
27 035, ORA notes the following two additional items:

28 • ORA confirmed that GSWC filed Advice Letter 1574-W making a one-time credit to the
29 Santa Maria District customers of \$974,024. Advice Letter 1574-W was approved by the

- 1 CPUC's Division of Water and Audits. This credit does not affect rates in the present GRC.
2 This is consistent with Ordering Paragraph 3 of D.14-09-020, which states:
- 3 3. Within five days of the date of this decision, Golden State Water Company must file a
4 Tier 2 Advice Letter requesting authority to make a one-time credit to the Santa Maria
5 District customers of \$974,024. The one-time credit is to be allocated among
6 customers on a meter equivalent basis. The \$974,024 is based upon the monies
7 attributable to the La Serena project costs, in excess of the \$1,844,856 agreed upon
8 and already collected in customer rates since January 1, 2008.
- 9 • ORA addresses the appropriate number of military customers and appropriate allocation
10 methodology in ORA's Report on General Office. This is consistent with Ordering
11 Paragraph 4 of D.14-09-020, which states:
- 12 4. Golden State Water Company and the Office of Ratepayer Advocates must address
13 the issue of the appropriate number of military customers and appropriate allocation
14 methodology in Golden State Water Company's 2014 general rate case.

15 **19. Special Request #11**

16 ORA agrees that if a final decision is issued by the Commission in connection with GSWC's
17 A.13-10-011 before the Commission issues a decision in this proceeding, the Commission should
18 incorporate the findings of the Decision in GSWC's A.13-10-011 in any decision issued in this
19 proceeding. Since GSWC filed the present GRC application, GSWC, ORA, Rural Water
20 Company, and the Cypress Ridge Owners Association filed a motion to approve a settlement
21 agreement resolving all issues in A.13-10-011 on 7/18/2014 (Settlement Agreement in A.13-10-
22 011).

23 The Settlement Agreement in A.13-10-011 would expand GSWC's certificate of public
24 convenience and necessity and its Santa Maria Customer Service Area to permit GSWC to
25 provide public water utility service to the customers of Rural's service territory. The Settlement
26 Agreement in A.13-10-011 if adopted also would implement the following pertinent ratemaking
27 and rate changes:

- 28 Establish Rural's current rates for water service in Rural's service territory as Golden
29 State's rates for customers in Rural's current service territory until rates are set by the
30 Commission in Golden State's 2014 GRC; (p. 9)

1 Establish and authorize a total rate base for the acquired assets of \$1.7 million to be
2 implemented in Golden State's 2014 GRC in accordance with Section 5.1 of this
3 Settlement; (pp. 9 – 10)

4 Authorize Golden State to consolidate the Rural service territory with Golden State's
5 current Santa Maria CSA, and set rates for the current Rural customers based upon the
6 Santa Maria ratemaking district tariff in Golden State's 2014 GRC; (p. 10)

7 At the time of writing this testimony, there was no Commission decision in connection with
8 A.13-10-011. When a final decision is issued, the adopted settlement will impact various key
9 ratemaking areas, such as General Office allocation, sales and revenues. Therefore, ORA
10 requests that the Commission allow ORA sufficient time to review the changes and to work with
11 GSWC to implement the ratemaking effects in this GRC.

